

Message Text

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ACTION EUR-25

INFO OCT-01 NEA-10 ISO-00 CIAE-00 DODE-00 PM-07 H-03

INR-10 L-03 NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SPC-03

SS-20 USIA-15 AID-20 COME-00 EB-11 FRB-02 TRSE-00

XMB-07 OPIC-12 CIEP-02 LAB-06 SIL-01 OMB-01 AGR-20

DRC-01 /193 W

----- 052663

R 220936Z MAR 74

FM AMEMBASSY BUDAPEST

TO SECSTATE WASHDC 1026

INFO AMEMBASSY AMMAN

AMEMBASSY BEIRUT

AMEMBASSY CAIRO

AMEMBASSY TEL AVIV

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E.O. 11652: N/A

TAGS: EAID, HU, SY

SUBJ: HUNGARIAN CREDITS TO SYRIA

1. SYRIAN MINISTER FOR PLANNING (MUSTAFA HALLAJE) WHO ARRIVED IN BUDAPEST MARCH 18 ON OFFICIAL VISIT MADE STATEMENT MARCH 20 TO HUNGARIAN ECONOMIC DAILY VILAGGAZDASAG RE SIGNING OF "CERTAIN AGREEMENTS PLANNED THIS WEEK". UNDER ONE OF THESE AGREEMENTS HUNGARY WILL PROVIDE CREDIT OF \$25M TO ASSIST IN REALIZATION OF SYRIA'S THIRD FIVE YEAR PLAN, DELAYED BY LAST YEAR'S WAR.

2. ACCORDING TO HALLAJE, SYRIA INTENDS TO GO FORWARD WITH PLAN AT ORIGINAL DEVELOPMENT RATE. TO MAKE UP FOR LAST YEAR'S DELAY SYRIAN GOVERNMENT, HE SAID, HAS DECIDED TO CARRY OUT "BIGGEST EVER INVESTMENTS IN HISTORY OF COUNTRY", ADDING THAT SYRIA "HIGHLY APPRECIATES HUNGARY'S LIMITED OFFICIAL USE

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ASSISTANCE...AND DEPENDS ON THIS AID". SYRIAN EXPERTS

WHO ACCOMPANIED HALLAJE TO BUDAPEST ARE NEGOTIATING WITH HUNGARIAN COMPANIES, ACCORDING TO VILAGGAZDASAG, TO PURCHASE ENGINEERING EQUIPMENT, INCLUDING AN INCANDESCENT LAMP FACTORY, AS WELL AS FARM MACHINERY AND DISTILLERIES.

3. SALE OF ENGINEERING EQUIPMENT TO SYRIA NOTHING UNUSUAL IN THAT FOR YEARS NOW SUCH EQUIPMENT HAS BEEN TRADITIONAL HUNGARIAN EXPORTS TO LDC'S. PURCHASE OF INCANDESCENT LAMP FACTORY UNDOUBTEDLY INVOLVES TUNGSRAM FIRM WHICH HAS OVER 30 WHOLLY OR PARTIALLY-OWNED FACTORIES OR SUBSIDIARIES ABROAD. SEVERAL OTHER ASPECTS OF THIS TRANSACTION WORTHY OF NOTE. HUNGARY IS DISCONTINUING MANUFACTURE OF AGRICULTURAL EQUIPMENT AND IS CLOSING DOWN FACTORIES. THUS, SALE OF FARM MACHINERY TO SYRIA APPEARS TO BE A CLOSE-OUT, PROBABLY INVOLVING INFERIOR EQUIPMENT. FROM VILAGGAZDASAG'S TREATMENT OF HALLAJE'S STATEMENT, IT APPEARS THAT THIS IS A HARD CURRENCY LOAN ADVANTAGEOUS CLEARLY TO HUNGARIANS. DOLLARS DO NOT LEAVE HUNGARY, YET HUNGARY RECEIVES DOLLARS IN PAYMENT. THERE IS NO INDICATION IN HALLAJE'S STATEMENT RE INTEREST RATE OR DURATION OF PAYMENT PERIOD.

4. HALLAJE'S STATEMENT THAT SYRIA HAS DECIDED TO CARRY OUT LARGEST INVESTMENT IN ITS HISTORY THIS YEAR TO COMPENSATE FOR SETBACK SUFFERED BY OUTBREAK OF WAR LAST FALL COULD BE INTERPRETED AS MEANING THAT HIS GOVERNMENT DOES NOT EXPECT INCREASE IN HOSTILITIES WITH ISRAEL THIS YEAR.
PEDERSEN

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